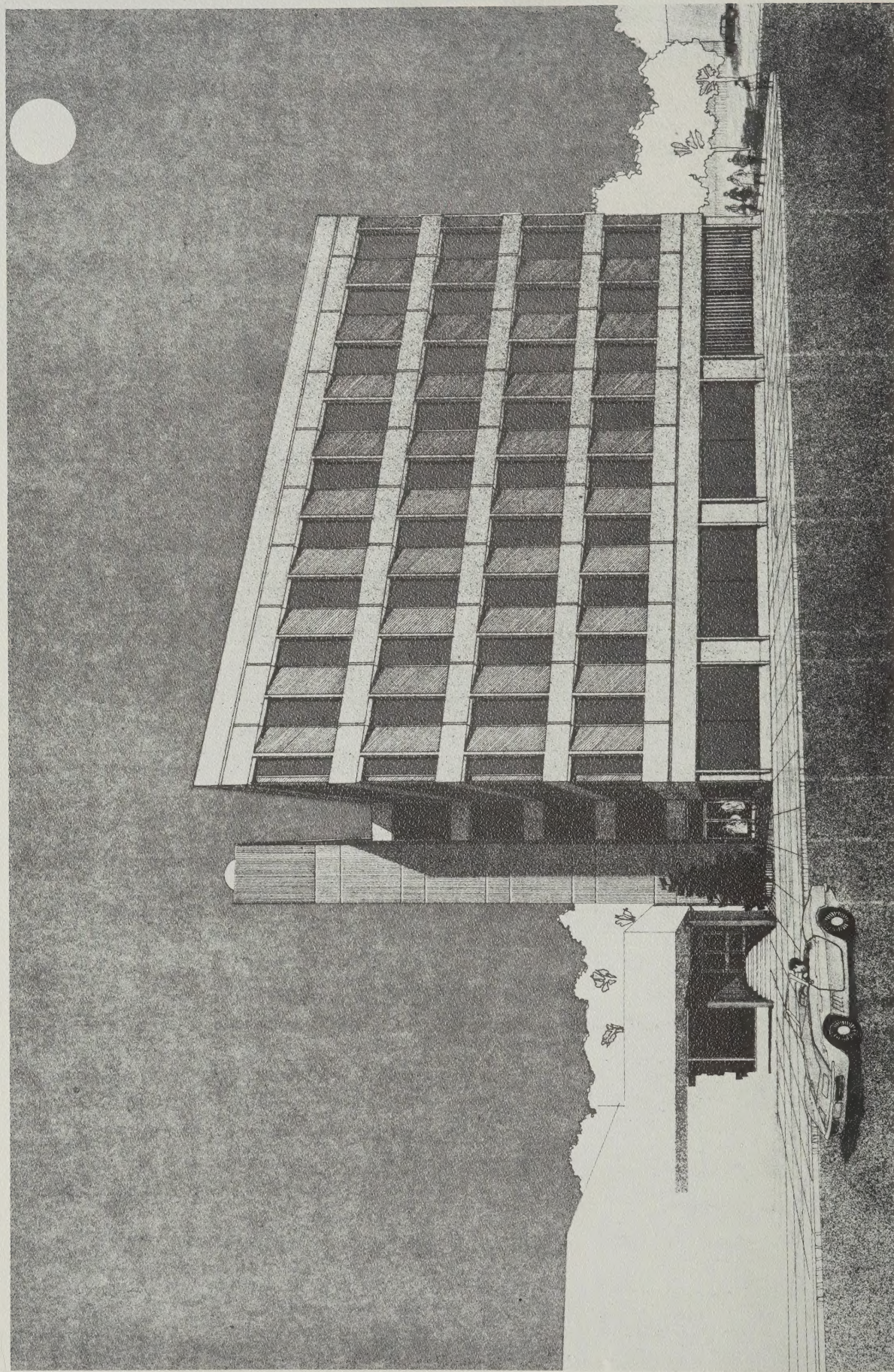




McARA PROPERTIES LTD.

ANNUAL REPORT 1970



PROPOSED OFFICE BUILDING

McARA PROPERTIES LTD.

DIRECTORS

Dr. Ben Bookhalter
Kevin P. Boyle
W. Joseph Bronstein
Jack Keller
Kenneth R. MacLeod
J. Leonard McMillan
Ben Shapiro
Frank Sojonky
Casey C. Vanee

OFFICERS & EXECUTIVES

J. Leonard McMillan
President and Chairman of the Board

Dr. Ben Bookhalter
Chairman Advisory Committee

W. Joseph Bronstein
Executive Vice-President

Frank Sojonky, B.Comm.
Vice-President Finance

Casey C. Vanee
Vice-President Planning & Construction

Jack Keller
Vice-President Hotels

Kenneth R. MacLeod, L.L.B.
Secretary

Eli L. Fluter, B.Comm., C.A.
Treasurer

SUBSIDIARY COMPANIES

Westward Inn Ltd.
Moose Jaw Community Hotel Co. Ltd.
Northgate Developments Ltd.
McAra Agencies Limited
Pegasus Investments Ltd.
Homes by McAra Ltd.

AFFILIATED COMPANIES

College Properties Ltd.
City Apartments Ltd.
Somerset Properties Ltd.
Northgate Village Ltd

LEGAL COUNSEL

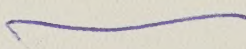
Balfour, MacLeod, McDonald
Moss, Laschuk & Kyle

AUDITORS

Deloitte, Plender, Haskins & Sells
Chartered Accountants

HEAD OFFICE

2220 - 11th Ave.
Regina, Sask.



REPORT TO THE SHAREHOLDERS

We are pleased to report that McAra Properties Ltd. has experienced a steady rate of growth in its first full year of operation as a public company. Total assets have increased by \$1,393,000. This has been achieved in spite of the economic slowdown on the Prairies and in Canada. The upturn in the Prairie economy, especially regarding agriculture in the latter part of 1970, will result in increased business activity. Your company has the management depth and skill to obtain maximum benefits from this welcome turn in the economy.

Geographic diversification through the proposed expansion of company activities to British Columbia will lessen dependence on any one geographic sector in the economy.

The increase in assets has been achieved with only a nominal increase in current liabilities. Payment of current and long term debt from our investment portfolio is proceeding satisfactorily, and strenuous efforts are being made to increase our working capital position.

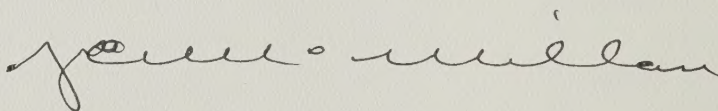
We build primarily for our own account; however, recent development activities of Westfield Towne show an opportunity for greater profitability in condominium townhouse sales. Our land inventory is sufficient for our activities in the near future. It is our intention to maintain a balance with regard to commercial buildings, apartments and townhouses for our investment portfolio.

Our Hotel Division continues to be highly profitable and we anticipate continued expansion in this lucrative field.

We are pleased to announce that Dr. Ben Bookhalter has accepted the chairmanship of the Advisory Committee.

We would like to express our thanks to all the employees of McAra Properties Ltd., and its subsidiaries, for without them our continued progress would not be possible.

For the Board of Directors.

A handwritten signature in dark ink, appearing to read "J. L. McMillan". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. L. McMILLAN,
Chairman.

THE McARA STORY

"SERVICE WITH INTEGRITY" SINCE 1886

McAra goes back to 1886, 85 years ago — when McAra Agencies Limited was founded by Peter McAra, former mayor of the City of Regina. The McAra tradition was handed down by the McAra Brothers, Peter and James, to Robert H. MacDonald, the next president, and now to J. Leonard McMillan who assumed the presidency of McAra Agencies Limited in 1961.

McAra Properties Ltd. became a public realty company in February, 1969, with acquisitions of shares in

- McAra Agencies Limited
- Homes by McAra Ltd.
- Northgate Developments Ltd.
- Westward Inn Ltd.
- Pegasus Investments Ltd.
- College Properties Ltd.
- Northgate Village Ltd.
- Somerset Properties Ltd.
- City Apartments Ltd.
- Moose Jaw Community Hotel Company Limited

along with other private acquisitions.

McAra now had an interest in hotels, land, apartment buildings, office and commercial buildings, and construction companies. Consequently, we were able to offer a complete package of Development Services — land assembly, planning and design, financing, construction and property management in all type of buildings:

- High Rise Apartment Buildings
- Office and Commercial Buildings
- Townhouses

INVESTMENT DIVISION — PERMANENT INVESTMENT PORTFOLIO

APARTMENT BUILDINGS

- 50% of Davin Place — 78 Units
- Cheryl Court — 18 Units
- Michelle Manor — 18 Units
- Sherry Lodge — 18 Units
- Kensington Place — 24 Units
- Devonshire Manor — 24 Units
- Lord & Lady Albert — 72 Units

OFFICE BUILDINGS

- 2135 Albert Street
- 2220 - 11th Avenue

MISCELLANEOUS INVESTMENTS

- Gordon Holdings Ltd.
- Somerset Properties Ltd.
- City Apartments Ltd.

LAND HOLDINGS

- Block 17 — 5½ acres in Albert Park — Westfield Towne
- 2137 Albert Street — Office Building site
- 25.3% interest in Northgate Village Ltd.
- 20 acres in Mount Pleasant Subdivision
- 325 foot frontage on Albert Street North

McARA AGENCIES LIMITED

McAra Agencies Limited is a service company operating in three major areas:

General Insurance — a complete line of commercial and personal insurance

Real Estate — all forms of residential and commercial properties

Property Management — apartment and commercial building management for our own account and other owners.

HOTELS

WESTWARD MOTOR INN — REGINA

Westward Motor Inn is an 80-room downtown hotel. Now in its 8th year of operation, the Westward has continued to maintain one of the highest room occupancy rates in the province. The Gas Light Lounge and Restaurant is one of Saskatchewan's most popular evening entertainment clubs. An expansion plan is currently under review.

WESTWARD MOTOR INN — MOOSE JAW

Formerly known as the Grant Hall Hotel. Through an extensive renovation and refurnishing program, in addition to the application of the Gas Light Theme and management skill, this hotel has experienced a dramatic turnaround of profitability. With the acquisition of Temple Gardens and its conversion to a Convention and Entertainment Centre, we are better able to compete for a larger share of Hotel and Convention business.

INVESTMENT PROPERTIES

In 1970, One Hundred and Fifty Apartment units in which we hold a 50% interest were added to our Investment Portfolio.

Davin Place — 78 unit 10 storey high-rise apartment

Lord & Lady Albert — Twin 36-unit building in Albert Park with a swimming pool

This has added significantly to company earnings. The vacancy rate in company owned and managed apartments is less than 3%, well below the current vacancy rate in the industry.

PROPERTY DEVELOPMENT DIVISION

The Development team of McAra Properties offers a range of skills in areas of planning, design, finance, construction and management of commercial, industrial and residential buildings. We are able to act as General Contractor on all size of projects.

We offer packaged turnkey contracts for our own account or for other clients, in which our team undertakes the completion of details with respect to land assembly, design, financing and physical construction of the project.

PROJECTS UNDER DEVELOPMENT

WESTFIELD TOWNE

A 45 unit townhouse project is underway in Albert Park, Regina with 12 units nearing completion. Construction of the next 12 units will commence in March, 1971. The completion of the final 21 townhouses is scheduled for fall of 1971. Market acceptance of these units has been very encouraging to date.

Market studies and designing is under way for the development of multi-family high-rise apartments for the remainder of "Westfield Towne".

APARTMENTS

Market studies, design and planning are completed for a 15-storey apartment. Construction is to commence in early spring, 1971.

OFFICE BUILDING

Plans are underway to construct a 6-storey office building for a national tenant.

BRITISH COLUMBIA

Geographic diversification is important to McAra in order to lessen our dependence on earnings from a prairie economy. Negotiations are currently underway for the acquisition of a Vancouver Real Estate Company as a base for expansion to British Columbia. Studies are in progress for Townhouse and Apartment Developments in Vancouver and Interior British Columbia.

PROSPECTS FOR THE FUTURE

NORTHGATE VILLAGE

We hold a 25.3% interest in a 20-acre multi-family site in the Mount Pleasant Subdivision, Regina. This site has a capacity of 1,600 multi-family units. With the completion of the ring road and the large expansion of the IPSCO Steel Plant and its location next to Northgate Shopping Centre, prospects are excellent for future profits from land appreciation and development of the site.

McARA PROPERTIES LTD. AND SUBSIDIARY COMPANIES

(Incorporated under the Companies Act, Saskatchewan)

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1970

(With 1969 figures for comparison)

ASSETS

CURRENT ASSETS:	1970	1969
Cash	\$ 49,000	\$ 63,000
Accounts receivable	76,000	65,000
Receivable from directors	12,000	7,000
Real estate held for sale and development — at cost plus property taxes — Note 2	325,000	162,000
Prepaid expenses and supplies	50,000	42,000
Total current assets	<u>512,000</u>	<u>339,000</u>
INVESTMENTS:		
Investment in land syndicate — Note 3	107,000	36,000
Miscellaneous investments — at cost	20,000	240,000
Loan to director for purchase of residence	11,000	11,000
Total investments	<u>138,000</u>	<u>287,000</u>
FIXED ASSETS — at cost — Note 4:		
Land	372,000	290,000
Buildings	2,475,000	1,205,000
Equipment	678,000	569,000
	<u>3,525,000</u>	<u>2,064,000</u>
Less accumulated depreciation	922,000	840,000
Net fixed assets	<u>2,603,000</u>	<u>1,224,000</u>
OTHER ASSETS — at cost — Note 5:		
Deferred charges	22,000	14,000
Excess of cost over equity in net tangible assets of subsidiaries	479,000	483,000
	<u>501,000</u>	<u>497,000</u>
Less accumulated amortization	14,000	
Net other assets	<u>487,000</u>	<u>497,000</u>
TOTAL	<u>\$3,740,000</u>	<u>\$2,347,000</u>

APPROVED BY THE BOARD:

J. L. McMILLAN, Director.

W. J. BRONSTEIN, Director.

Auditors' Report

To the Shareholders of
McARA PROPERTIES LTD.:

We have examined the consolidated balance sheet as at September 30, 1970 and the consolidated statements of funds for the year ended on that date. Our examination included such tests of the accounting records and other sources, except for Moose Jaw Community Hotel Company Syndicate including its agent Northgate Village Ltd., chartered accountants.

In our opinion, which insofar as it relates to the amounts examined by us is based solely on the reports on the balance sheet and consolidated statements of income, present fairly the financial position of the companies and the source and application of their funds for the year, in accordance with the accounting principles consistently applied.

Regina, Saskatchewan,
DECEMBER 17, 1970.

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1970	1969
Bank indebtedness — real estate and shares in subsidiaries assigned as security	\$ 543,000	\$ 447,000
Accounts payable and accrued liabilities	245,000	197,000
Loan payable	50,000	50,000
Income taxes payable	29,000	13,000
Mortgage advances on real estate	44,000	54,000
Agreement payable — Note 6	140,000	140,000
Mortgage instalments due within twelve months	69,000	31,000
Total current liabilities	<u>1,120,000</u>	<u>932,000</u>
LONG-TERM LIABILITIES:		
Mortgage loans, less amount included in current liabilities — Note 7	1,518,000	436,000
MINORITY INTERESTS IN SUBSIDIARY	<u>8,000</u>	<u>92,000</u>
DEFERRED INCOME TAXES	<u>19,000</u>	
CONTINGENT LIABILITIES arising from guarantees <u>\$58,000</u>		
SHAREHOLDERS' EQUITY:		
Capital Stock — Note 8:		
Authorized: 3,000,000 shares without par value		
Subscribed for and issued: 1,420,499 shares (1969 — 1,260,705)	1,263,000	1,103,000
Less uncollected subscriptions	<u>238,000</u>	<u>238,000</u>
Paid up Capital	1,025,000	865,000
Retained Earnings	<u>50,000</u>	<u>22,000</u>
Total shareholders' equity	1,075,000	887,000
TOTAL	<u>\$3,740,000</u>	<u>\$2,347,000</u>

The accompanying notes are an integral part
of the financial statements.

Properties Ltd. and its subsidiary companies as at
and retained earnings and of source and application
ded a general review of the accounting procedures
vidence as we considered necessary in the circum-
ed, McAra Agencies Limited and Porter Properties
ounts have been examined and reported on by other

ded for other companies whose accounts have not
artered accountants, the accompanying consolidated
ned earnings and of source and application of funds
tember 30, 1970 and the results of their operations
d on that date, in accordance with generally accepted

DELOITTE, PLENDER, HASKINS & SELLS,
CHARTERED ACCOUNTANTS.

McARA PROPERTIES LTD. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1970

INCOME:	
Sales, rentals and other operating income	\$1,616,000
EXPENSES:	
Operating expenses	1,321,000
Provision for depreciation	85,000
Provision for amortization	14,000
Mortgage interest	66,000
Other interest	53,000
Provision for income taxes	49,000
Total expenses	<u>1,588,000</u>
NET INCOME FOR THE YEAR	28,000
RETAINED EARNINGS AT BEGINNING OF THE YEAR	<u>22,000</u>
RETAINED EARNINGS AT END OF THE YEAR	<u>\$ 50,000</u>

McARA PROPERTIES LTD. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1970

FUNDS PROVIDED BY:	
Current operations	\$ 153,000
Issue of shares	160,000
Decrease in miscellaneous investments	220,000
Increase in long-term liabilities	1,136,000
Total funds provided	<u>1,669,000</u>
FUNDS APPLIED TO:	
Investment in land syndicate	77,000
Purchase of fixed assets	1,464,000
Purchase of shares in subsidiary	88,000
Reduction of long-term liabilities	54,000
Miscellaneous	1,000
Total funds applied	<u>1,684,000</u>
DECREASE IN WORKING CAPITAL DURING THE YEAR	15,000
WORKING CAPITAL DEFICIENCY AT BEGINNING OF THE YEAR	<u>593,000</u>
WORKING CAPITAL DEFICIENCY AT END OF THE YEAR	<u>\$ 608,000</u>

McARA PROPERTIES LTD. AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1970

1 — PRINCIPLES OF CONSOLIDATION:

These financial statements include the accounts of McAra Properties Ltd. and all subsidiaries, namely Westward Inn Ltd., engaged in the hotel and apartment rental business, Moose Jaw Community Hotel Company Limited, engaged in the hotel business, McAra Agencies Limited, real estate agents and insurance brokers, Homes by McAra Ltd., house builders, as well as Northgate Developments Ltd. and Pegasus Investments Ltd., presently inactive.

The acquisition of McAra Agencies Limited is contingent upon the terms of an agreement more particularly referred to in Note 6. These financial statements are prepared on the basis that the acquisition of this subsidiary will be consummated.

All subsidiaries are wholly-owned by McAra Properties Ltd., directly or through subsidiaries, except for 2.03% of the outstanding shares of Moose Jaw Community Hotel Company Limited, accounted for as minority interests.

In the preparation of these financial statements, all significant transactions among the company and its subsidiaries have been eliminated. Comparative income and funds statements for the year ended September 30, 1969 have not been prepared due to fiscal year changes at that time.

2 — REAL ESTATE HELD FOR SALE AND DEVELOPMENT:

A parcel of land valued at \$195,000 (including property taxes of \$20,000) is presently under partial development. The balance of real estate held for sale and development consists of building sites, buildings and houses under construction.

3 — INVESTMENT IN LAND SYNDICATE:

The investment, a 25.28% interest in Porter Properties Syndicate (including 13.79% acquired during the year for 72,000 shares) is valued at cost plus earnings minus losses. After taking up the company's share in the syndicate's loss for the year ended September 30, 1970, amounting to \$7,000, the carrying value of this investment is approximately \$6,000 in excess of the underlying equity in net tangible assets. The following is a condensed audited balance sheet of the syndicate and its agent, Northgate Village Ltd., as at September 30, 1970:

Land	\$527,000	Bank loans and accounts payable	\$ 56,000
Agreement receivable	266,000	Mortgage loans	231,000
Other assets	3,000	Unrealized profit on property sales	108,000
		Syndicate members' equity	401,000
Total	<u>\$796,000</u>	Total	<u>\$796,000</u>

Further capital contributions for purposes of the syndicate will be required, including approximately \$10,000 which was requested by the syndicate before September 30, 1970 and remains to be disbursed. This amount has not been included in these financial statements.

4 — FIXED ASSETS:

Fixed assets may be analyzed as follows:

Description	Acquisition Cost	Accumulated Depreciation	Net Fixed Assets
Land	\$ 372,000	\$	\$ 372,000
Hotel buildings	1,102,000	464,000	638,000
Hotel equipment	597,000	426,000	171,000
Concrete apartment buildings	1,040,000	4,000	1,036,000
Other rental properties	333,000	14,000	319,000
Other equipment	81,000	14,000	67,000
Total	<u>\$3,525,000</u>	<u>\$ 922,000</u>	<u>\$2,603,000</u>

Concrete apartment buildings and most of the other rental properties represent 50% interests in jointly-owned real estate, including a 50% interest in an apartment building located on land which has been leased for a term of 75 years from December 1, 1968.

Depreciation is recognized in the accounts at annual rates of 5% on hotel buildings and 20% on hotel equipment, using a diminishing balance method.

For the concrete apartment buildings, a 5% sinking fund depreciation method has been adopted, based on an estimated useful life of 40 years.

Other rental properties and equipment are depreciated at comparable rates and methods.

McARA PROPERTIES LTD. AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 1970

5 — OTHER ASSETS:

Deferred charges are amortized over ten years and excess of cost over equity in net tangible assets of subsidiaries is amortized over a 40 year period, using a straight-line method.

6 — AGREEMENT PAYABLE:

Under the terms of an agreement dated February 10, 1969, 93.7% of the outstanding shares of Mc Ara Agencies Limited were acquired for a purchase price of approximately \$140,000 in cash, payable on demand. In the event Mc Ara Properties Ltd. fails to pay the purchase price within 7 days after demand, all right and title to the shares of Mc Ara Agencies Limited shall vest in and become the property of the vendor and the obligation to pay the purchase price shall cease.

It is further provided in the agreement that the vendor shall have the right and privilege at any time up to and including January 31, 1971 (provided that no demand for payment of the amount thereof shall have been made) to convert the amount of the purchase price, or any part thereof, into shares in the capital stock of Mc Ara Properties Ltd. at a price of \$1 per share.

7 — MORTGAGE LOANS:

Mortgage loans are, generally, payable by monthly instalments and consist of the following:

Interest Rates	Due Dates	Rank	Amount	Current Liabilities	Long-term Liabilities
7¼ - 9½ %	1974 - 1998	First	\$1,480,000	\$ 68,000	\$1,412,000
12%	1971	Second	57,000	57,000
16%	1975	Second	50,000	1,000	49,000
Total			<u>\$1,587,000</u>	<u>\$ 69,000</u>	<u>\$1,518,000</u>

8 — CAPITAL STOCK:

During the year ended September 30, 1970, shares have been issued as follows:

Consideration	No. of Shares	Price Per Share	Amount
Shares in Moose Jaw Community Hotel Company Limited	87,794	\$1.00	\$ 88,000
Interest in land syndicate	72,000	1.00	72,000
Total	<u>159,794</u>		<u>\$160,000</u>

Uncollected subscriptions relate to 250,000 shares issued to Trio Investments Ltd., a company owned by three directors of Mc Ara Properties Ltd.

Options to subscribe for additional shares in the capital stock of the company are outstanding as follows:

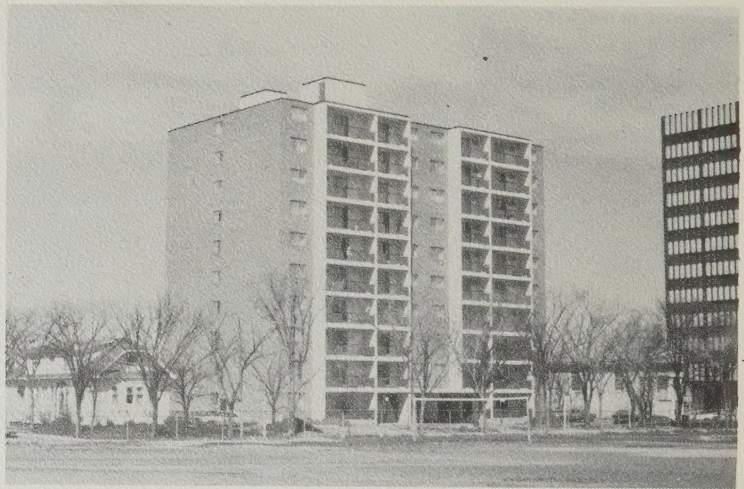
Issued to	Number of Shares	Price	Expiration Date
Shareholders	2,000	\$1.00	May 1, 1971
Directors	17,000	1.00	May 1, 1972
Directors	25,000	1.00	December 31, 1974
Directors	25,000	1.50	December 31, 1974
Officer	2,500	1.25	December 31, 1970
Officer	2,500	1.50	December 31, 1971
Officer	2,500	1.75	December 31, 1972
Officer	2,500	2.00	December 31, 1973



WESTWARD, REGINA



WESTWARD, MOOSE JAW



DAVIN PLACE



KENSINGTON PLACE

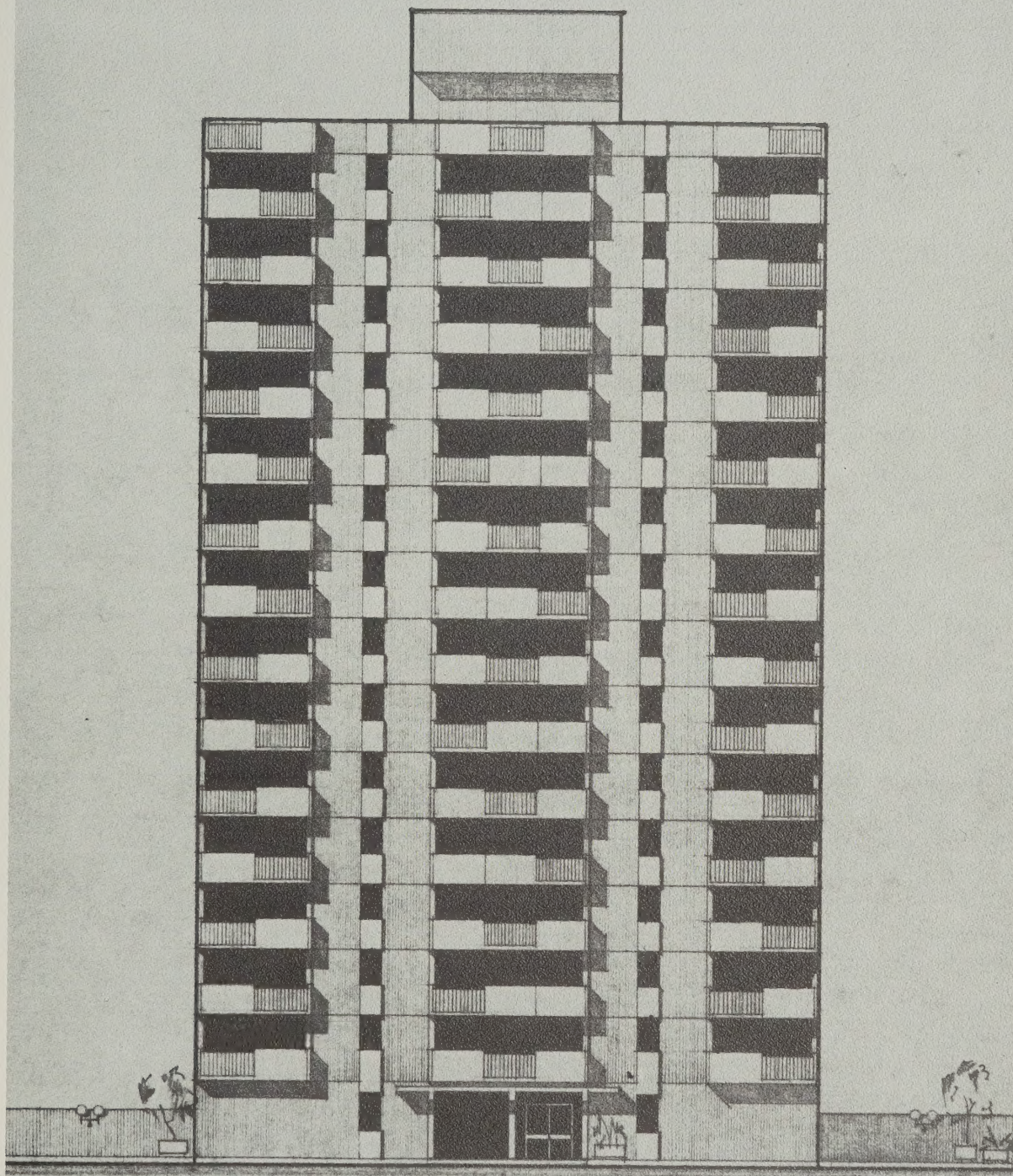
DEVONSHIRE MANOR



LORD AND LADY ALBERT



CHERYL, MICHELLE AND SHERRY LODGE



PROPOSED 15-STOREY APARTMENT

